



# 2017

## Popular Annual Financial Report

for the Year Ended December 31, 2017

### A Message to Members

I am pleased to present the Popular Annual Financial Report (PAFR) for the year ended December 31, 2017. The financial data presented in the PAFR is derived from the Comprehensive Annual Financial Report (CAFR) and is consistent with generally accepted accounting principles (GAAP). The goal is to provide a summary of CCCERA's annual financial report that allows members and other interested parties to review the fund's fiscal information and demographics.

CCCERA's Total Fund returned 14.2% (gross of investment management fees) for the year ending December 31, 2017. This was greater than the long-term objective of delivering CPI plus 400 basis points, which was 6.0% for 2017.

As of December 31, 2017, CCCERA's net position totaled \$8.4 billion which means that assets of \$8.9 billion exceed liabilities of \$0.5 billion. The primary use of assets includes benefit payments to retirees and their beneficiaries, contribution refunds to terminating employees, and the cost of administering the system. The funded ratio is 86.5%, as of December 31, 2016, the date of CCCERA's most recent actuarial valuation.

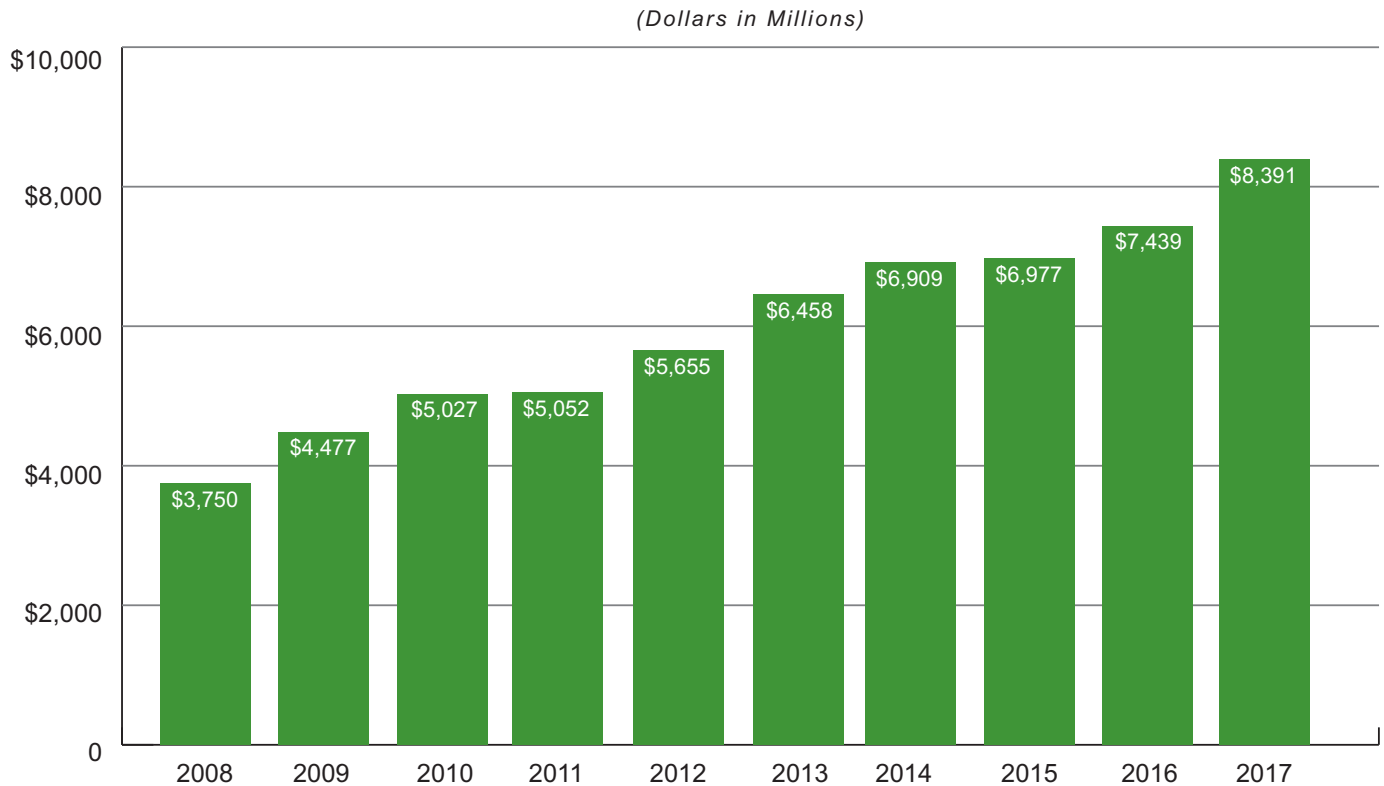
CCCERA has a net pension liability (NPL) of \$0.8 billion as of December 31, 2017. The plan fiduciary net position as a percentage of the total pension liability as of December 31, 2017 is 91.2%. The net pension liability as a percentage of covered payroll is 100.2% as of December 31, 2017. The associated schedules and additional information for this requirement are shown in the Financial Section of the CAFR.

This report does not replace the CAFR. Detailed information on the subjects included here and other important aspects of CCCERA's administration are in our CAFR at [cccera.org](http://cccera.org).

**Gail Strohl**  
Chief Executive Officer



## FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS



As of December 31, 2017, CCCERA had \$8.4 billion in net position restricted for pensions, which means that assets of \$8.9 billion exceeded liabilities of \$0.5 billion.

annualized rate of return was 8.0% over the last three years, 9.7% over the last five years, and 6.7% over the last 10 years.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report CCCERA's net position restricted for pensions and is one way to measure the plan's financial position. Over time, increases and decreases in CCCERA's net position are indicators of whether its financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring CCCERA's overall financial position.

As of December 31, 2017, the net position restricted for pensions increased by 12.8% over 2016, primarily due to positive investment returns. CCCERA's total fund returned 14.2% before fees for the one-year period ending December 31, 2017, greater than the long-term objective of delivering CPI plus 400 basis points, which was 6.0% for 2017. CCCERA's gross

FIDUCIARY NET POSITION (Dollars in Thousands)				
	2017	2016	Amount Increase/ (Decrease)	Percent Increase/ (Decrease)
<b>Assets</b>				
Current and Other Assets	\$758,014	\$921,158	(\$163,144)	(17.7%)
Investments at Fair Value	8,153,588	7,191,764	961,824	13.4%
Capital Assets	224	97	127	130.9%
<b>Total Assets</b>	<b>8,911,826</b>	<b>8,113,019</b>	<b>798,807</b>	<b>9.8%</b>
<b>Liabilities</b>				
Current Liabilities	521,245	674,499	(153,254)	(22.7%)
<b>Total Liabilities</b>	<b>521,245</b>	<b>674,499</b>	<b>(153,254)</b>	<b>(22.7%)</b>
<b>NET POSITION - RESTRICTED FOR PENSIONS</b>	<b>\$8,390,581</b>	<b>\$7,438,520</b>	<b>\$952,061</b>	<b>12.8%</b>

## CHANGES IN FIDUCIARY NET POSITION

The primary sources of funding for CCCERA member benefits are employer contributions, plan member contributions and net investment income. Total additions to fiduciary net position for the years ended December 31, 2017 and 2016, were \$1,407.9 million and \$900.1 million, respectively. The increase in the current year is primarily due to investment gains being higher than in the previous year. The increase in employer contributions is mostly due to higher employer contribution rates over the prior year. Employee contributions increased over the prior year mostly due to an increase in plan members. Net investment income for the year ended December 31, 2017 totaled \$995.7 million.

CCCERA's assets can only be used to make benefit payments to retirees and beneficiaries, contribution refunds to terminated employees, and pay the costs of administering the system. Total deductions from fiduciary net position for the years ended December 31, 2017 and 2016, were \$455.8 million and \$438.1 million, respectively. Benefits paid to retirees and beneficiaries were \$430.0 million in 2017, an increase of \$18 million, or 4.4% over 2016. The growth in benefit payments was due to a combination of the following: (1) the net increase in the number of retirees and beneficiaries for the year and (2) the increase in the average retirement allowances of those who were added to the retirement payroll.

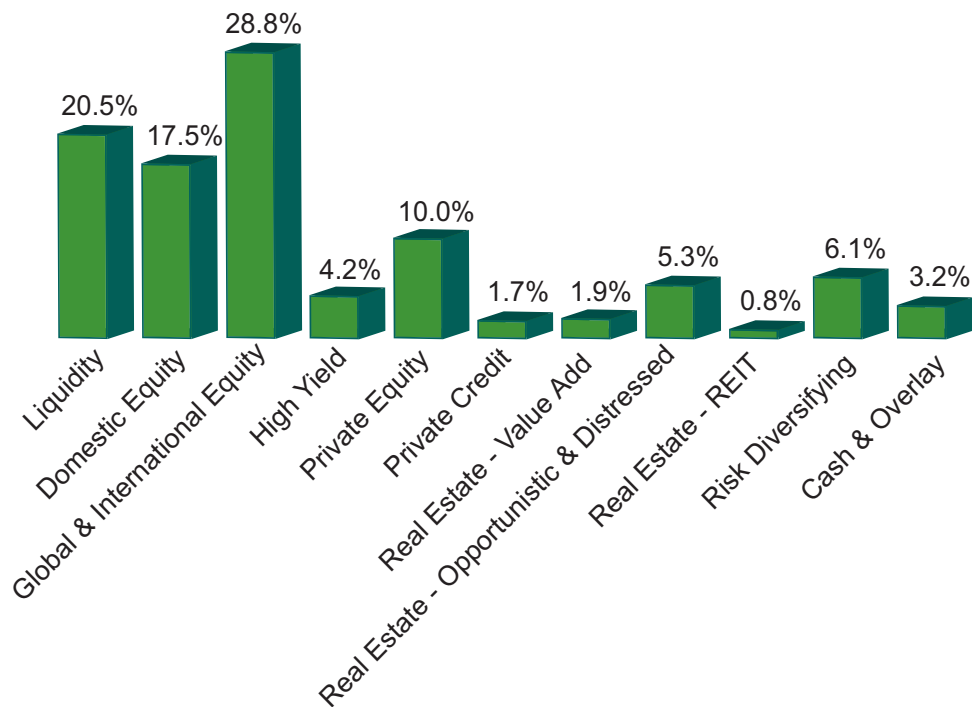
<b>CHANGES IN FIDUCIARY NET POSITION</b> (Dollars in Thousands)				
	<b>2017</b>	<b>2016</b>	<b>Amount Increase/ (Decrease)</b>	<b>Percent Increase/ (Decrease)</b>
<b>Additions:</b>				
Employer Contributions	\$314,836	\$307,909	\$6,927	2.2%
Plan Member Contributions	96,467	88,788	7,679	8.6%
Net Investment Income	995,678	501,733	493,945	98.4%
Net Securities Lending Income	878	1,630	(752)	(46.1%)
<b>Total Additions</b>	<b>1,407,859</b>	<b>900,060</b>	<b>507,799</b>	<b>56.4%</b>
<b>Deductions:</b>				
Benefits Paid	430,037	412,073	17,964	4.4%
Contribution Prepayment Discount	9,140	9,489	(349)	(3.7%)
Administrative	9,146	8,486	660	7.8%
Refunds	5,518	7,154	(1,636)	(22.9%)
Other Expenses	1,957	920	1,037	112.7%
<b>Total Deductions</b>	<b>455,798</b>	<b>438,122</b>	<b>17,676</b>	<b>4.0%</b>
<b>INCREASE IN NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	<b>\$952,061</b>	<b>\$461,938</b>	<b>\$490,123</b>	<b>106.1%</b>

## ASSET ALLOCATION

Asset allocation is an integral part of CCCERA's investment policy. CCCERA's chief investment officer and the outside investment consultant (Verus) assist the Board in designing strategic diversification strategies to maintain steady, long-term gain, with appropriate risk. Please refer to the CAFR for additional information.

The main investment goal is for the total fund return to exceed the long-term objective of delivering CPI plus 400 basis points, which was 6.0% for 2017. As mentioned, for the year ended December 31, 2017, the total fund return was 14.2% before fees.

Actual Asset Allocation



## ASSET ALLOCATION (Continued)

Investment Results Based on Fair Value*				
As of December 31, 2017				
		Annualized (gross of fees)		
	Current Year	3 Year	5 Year	10 Year
<b>Total Fund</b>	14.2%	8.0%	9.7%	6.7%
<i>Benchmark:</i>				
Policy Index	13.8%	7.6%	9.4%	-
<b>Total Fund excl. Overlay &amp; Cash</b>	14.1%	8.0%	9.7%	6.6%
<i>Benchmark:</i>				
Policy Index	13.8%	7.6%	9.4%	-
<b>Domestic Equity</b>	23.9%	11.8%	16.2%	9.3%
<i>Benchmark:</i>				
Russell 3000	21.1%	11.1%	15.6%	8.6%
<b>International Equity</b>	25.5%	7.9%	8.2%	1.5%
<i>Benchmarks:</i>				
MSCI ACWI ex-USA Gross	27.8%	8.3%	7.3%	2.3%
MSCI EAFE Gross	25.6%	8.3%	8.4%	2.4%
<b>Global Equity</b>	23.7%	10.8%	12.1%	-
<i>Benchmark:</i>				
MSCI ACWI	24.0%	9.3%	10.8%	-
<b>Domestic Fixed Income</b>	7.5%	3.9%	4.2%	-
<i>Benchmark:</i>				
BofA ML High Yield Master II+2%	9.6%	8.5%	7.9%	-
<b>High Yield</b>	6.5%	5.5%	5.3%	7.8%
<i>Benchmark:</i>				
BofA ML High Yield Master II	7.5%	6.4%	5.8%	7.9%
<b>Real Estate</b>	11.1%	10.0%	12.1%	6.1%
<i>Benchmarks:</i>				
Real Estate Benchmark	7.1%	7.4%	9.5%	7.0%
NCREIF - ODCE Index	7.6%	10.4%	11.5%	5.0%
NCREIF Property Index	7.0%	9.4%	10.2%	6.1%
<b>Alternatives</b>	10.9%	11.1%	13.1%	10.0%
<i>Benchmark:</i>				
S&P 500 + 4% Lagged	23.3%	15.2%	18.7%	11.7%
<b>Opportunistic</b>	11.6%	2.6%	6.5%	-
<i>Benchmark:</i>				
CPI + 4%	6.2%	5.7%	5.5%	-
<b>Risk Diversifying Fixed Income</b>	3.6%	2.5%	2.4%	4.3%
<i>Benchmark:</i>				
CPI + 4%	6.2%	5.7%	5.5%	-
<b>Inflation Hedge</b>	8.2%	3.3%	2.1%	-
<i>Benchmark:</i>				
CPI + 4%	6.2%	5.7%	5.5%	-

\*Using time-weighted rate of return based on the market rate of return.

## REVENUE BY SOURCE

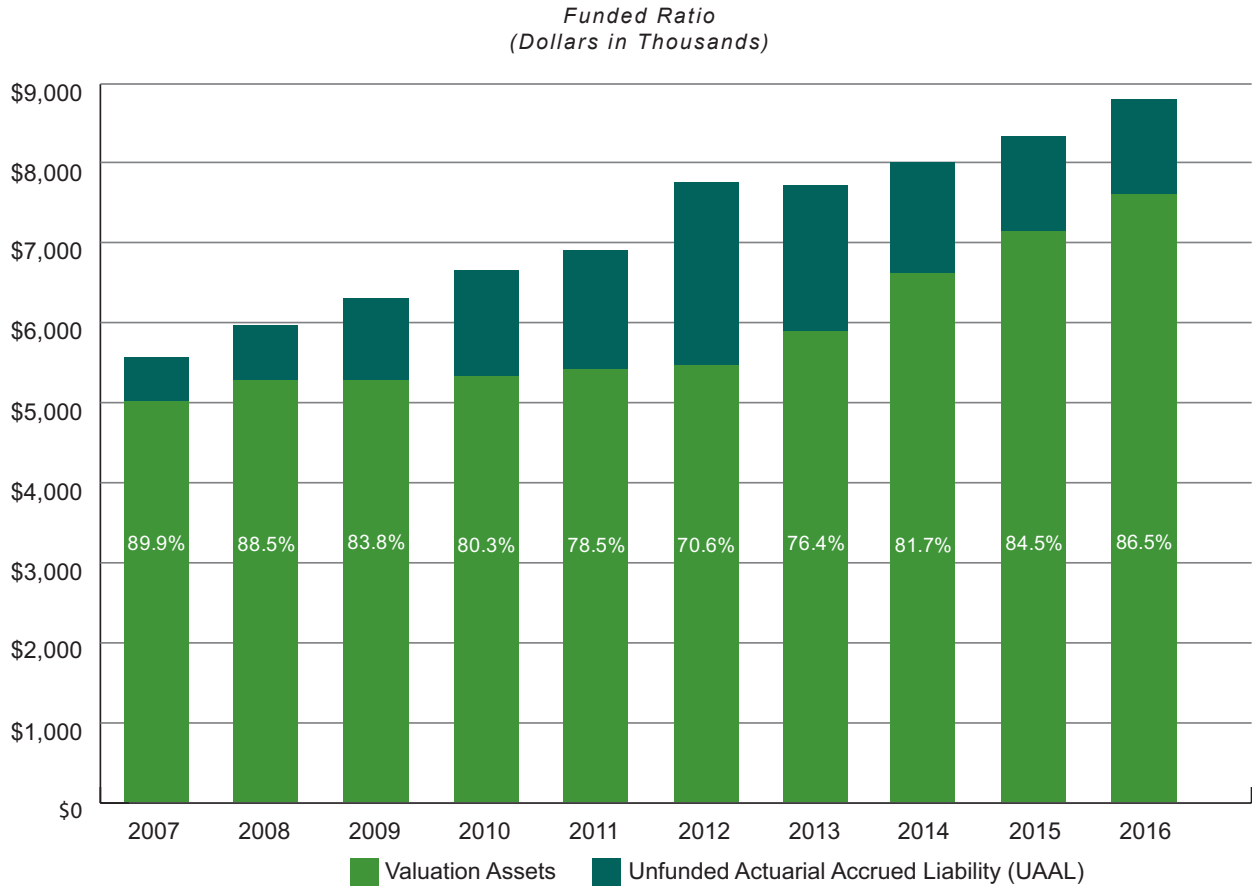
Employer and plan member basic and COLA (Cost of Living Adjustment) contributions are based on statute and rates recommended by an independent actuary and adopted by the Board.

CCCERA's actuarial valuations are performed as of December 31 of each year; contribution requirements resulting from such valuations become effective 18 months after the valuation date (i.e., December 31, 2016 rates become effective on July 1, 2018).

*(Dollars in Thousands)*



## ACTUARIAL FUNDING STATUS



In order to determine whether the pension plan's net position restricted for pensions will be sufficient to meet future obligations, the actuarial funding status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised, with gains and losses over the previous five years smoothed to avoid significant swings in the value of assets from one year to the next. These assets are compared to

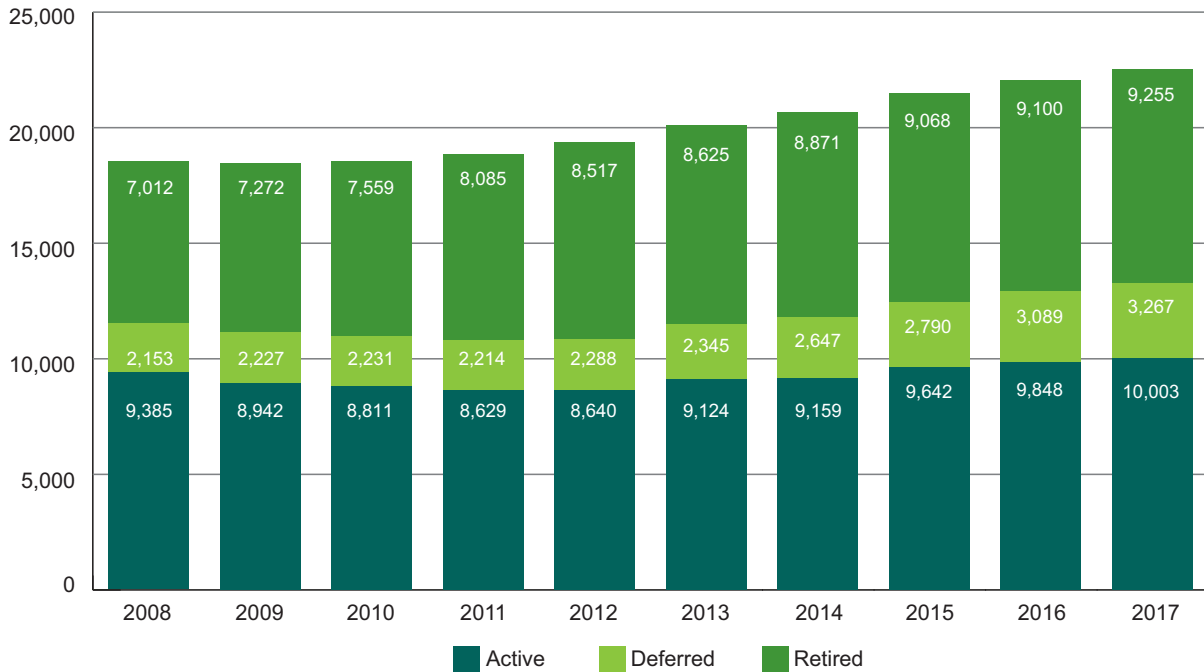
the actuarial accrued liabilities, which are the actuarial present value of future benefits (attributable to service already earned) expected to be paid for each member.

The purpose of the valuation is to determine what future contributions by the members and by the employers are needed to pay all expected future benefits.



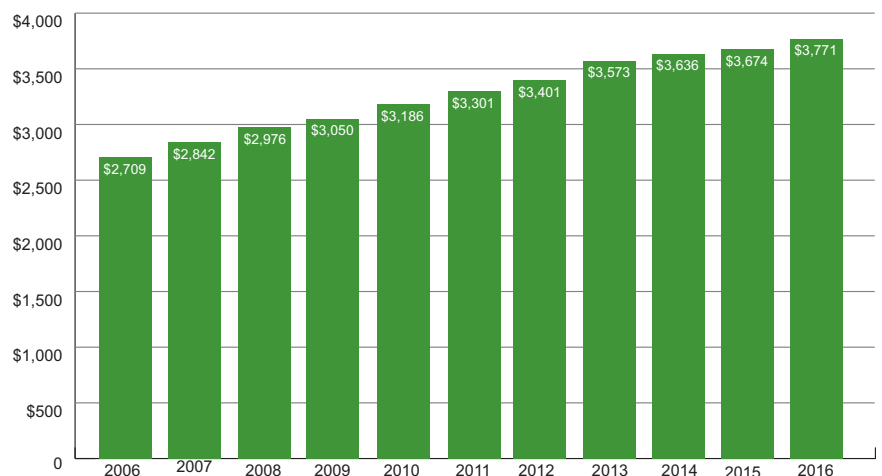
## MEMBERSHIP

CCCERA's membership consists of full and part-time employees, members who have left service and have deferred their receipt of retirement benefits, and retirees and their beneficiaries from Contra Costa County and participating agencies. CCCERA's total membership as of December 31, 2017 is 22,525.



## AVERAGE BENEFIT PAYMENTS

The chart (right) is a broad representation of average benefits paid monthly over 10 years to retirees and survivors. Both general and safety member figures are combined in this calculation, as are all tiers. The chart includes all members who have retired through December 31, 2016.

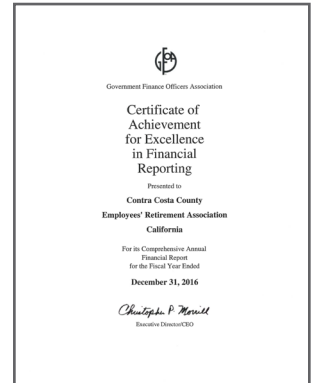
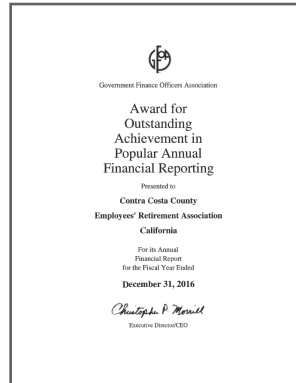




## AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to CCCERA for its PAFR for the fiscal year ended December 31, 2016. The Award for Outstanding Achievement in Popular Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports. In order to receive this award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability, and reader appeal. The award is valid for a period of one year only. CCCERA has received this award for the last eight consecutive years since fiscal year ended 2009. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements and will submit it to the GFOA.

The GFOA has also awarded CCCERA its 17th Certificate of Achievement for Excellence in Financial Reporting Award for its CAFR for every year from 2000 through 2016. This is a prestigious national award



recognizing conformance with the highest standards for preparation of state and local government reports.

CCCERA has also earned the Public Pension Coordinating Council's (PPCC) Public Standards Award for 1998, 2000, and 2003 through 2017. The award is intended to reflect minimum expectations for public retirement system management and administration, and to serve as a benchmark by which all defined benefit public plans should be measured.

## 2017 BOARD OF RETIREMENT (As of December 31, 2017)

**Todd Smithey** *Chairperson*  
**Scott W. Gordon** *Vice-Chairperson*  
**David J. MacDonald** *Secretary*  
**Jerry Telles**  
**John B. Phillips**  
**Jerry R. Holcombe**

**Candace Andersen**  
**William Pigeon**  
**Russell V. Watts** *County Treasurer*  
**Louie Kroll** *(Retiree Alternate)*  
**Jay Kwon** *(Appointed Alternate)*  
**Gabriel Rodrigues** *(Safety Alternate)*

## MORE ABOUT CCCERA

CCCERA's website, [cccera.org](http://cccera.org), provides resources for members, employers and the public. It features forms, handbooks, policies, a calculator to estimate retirement benefits, and more.



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OAKLAND, CA  
PERMIT # 3729

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# 2017

Popular Annual Financial Report  
for the Year Ended December 31, 2017

**CCCERA's mission** is to administer pension benefits earned by our members and to be prudent stewards of plan assets.

## CCCERA PARTICIPATING AGENCIES

- Contra Costa County
- Bethel Island Municipal Improvement District
- Byron-Brentwood-Knightesen Union Cemetery
- Central Contra Costa Sanitary District
- Contra Costa County Employees' Retirement Association
- Contra Costa Housing Authority
- Contra Costa Mosquito and Vector Control District
- First 5 – Children & Families Commission
- In-Home Supportive Services Authority (IHSS)
- Local Agency Formation Commission (LAFCO)
- Rodeo Sanitary District
- Superior Court of California, County of Contra Costa
- Contra Costa Fire Protection District
- East Contra Costa Fire Protection District
- Moraga-Orinda Fire District
- Rodeo-Hercules Fire Protection District
- San Ramon Valley Fire Protection District